

RD AN 3485 (1930-C)  
September 22, 1999

TO: State Directors  
Rural Development

ATTENTION: Rural Development Managers, MFH Program Directors  
and Coordinators

FROM: Eileen M. Fitzgerald  
Acting Administrator (Signed by Eileen M. Fitzgerald)  
Rural Housing Service

SUBJECT: Labor Housing Servicing for On-Farm Type Borrowers

PURPOSE:

This Administrative Notice (AN) is issued to provide further clarity for the servicing of on-farm labor housing borrowers. The purpose is to ensure consistent servicing is achieved for the subject borrowers.

COMPARISON WITH PREVIOUS AN:

This AN replaces the guidance established earlier in RD AN 3328(1930-C), dated May 5, 1997.

BACKGROUND:

The material set out herein is issued to ensure consistency in servicing on-farm labor housing borrowers. There has been concern that borrowers believe they will be accelerated if they fail to sign a loan agreement but are otherwise in compliance. There is also concern that borrowers believe they cannot prepay on-farm labor housing loans. Clarity on prepayment provisions is therefore provided.

IMPLEMENTATION:

Effective immediately, State Directors will ensure the guidance set out herein is implemented by Multi-Family Housing officials.

EXPIRATION DATE: August 31, 2000

FILING INSTRUCTIONS:  
Preceding RD  
Instruction 1930-C

### Loan Agreements:

Borrowers who were not previously required to sign the Loan Agreement set out in Exhibit K of RD Instruction 1944-D will be asked to sign the agreement. Should borrowers not respond to the request, they will be invited again to sign the agreement. If, after two reminders, or after the borrower refuses to sign the agreement, the servicing office will document the issue and forward a report to the State Office, along with the recommended servicing action.

When the borrower(s) refuse to sign Exhibit K of RD Instruction 1944-D, the Agency will normally recommend a servicing visit to the borrower's operations to determine if other violations exist. Should a servicing visit confirm that no other serious servicing issues are evidenced, the Agency will continue with the normal servicing of the account. Such accounts will not be recommended for acceleration. Should other serious servicing issues be evidenced, the Agency will service the account using existing servicing authorities. Should workout plans or other actions resolve issues of concern, the Agency will return to normal servicing of the account. The account will not be recommended for acceleration if there are no added serious servicing concerns beyond the failure to sign a loan agreement.

### Prepayment:

Labor housing on-farm borrowers may prepay accounts in accordance with the provisions of RD Instruction 1965-E. RD Instruction 1965-E, Exhibit B, documentation provided to the Office of Rental Housing Preservation (ORHP) must include a statement indicating if there are any outstanding serious servicing issues.

If you have any questions concerning these issues, please call the Multi-Family Housing Portfolio Management Division at 202-720-1060.